

CAPITAL AREA FOOD BANK OF TEXAS, INC.
and
CAPITAL AREA FOOD BANK FOUNDATION
(both nonprofit organizations)
FINANCIAL STATEMENTS
and Other Financial Information
September 30, 2012 and 2011

WITH
INDEPENDENT AUDITORS' REPORT

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BASIC FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Capital Area Food Bank of Texas, Inc., and
Capital Area Food Bank Foundation

We have audited the accompanying consolidated statements of financial position of Capital Area Food Bank of Texas, Inc. and Capital Area Food Bank Foundation (both nonprofit organizations) as of September 30, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the management of Capital Area Food Bank of Texas, Inc. and Capital Area Food Bank Foundation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital Area Food Bank of Texas, Inc. and Capital Area Food Bank Foundation as of September 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, on our consideration of Capital Area Food Bank of Texas, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of Capital Area Food Bank of Texas, Inc. and Capital Area Food Bank Foundation taken as a whole. The consolidating schedule of financial position on Page 21 and the consolidating schedule of activities and changes in net assets by fund on Page 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on Page 24 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Achley & Associates, LLP

Austin, Texas
January 11, 2013

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2012 AND 2011

ASSETS	<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents	\$ 2,710,213	\$ 3,534,805
Investments	3,533,156	3,396,970
Accounts Receivable	208,690	418,451
Food Inventory Held for Distribution	759,031	1,444,253
Purchased Food Inventory	134,268	-
Prepaid Expenses	263,373	133,719
Pledges Receivable - Capital Campaign	1,117,050	1,100,000
Property and Equipment (Net of Accumulated Depreciation of \$3,726,538 and \$3,436,817)	<u>7,516,451</u>	<u>4,635,282</u>
TOTAL ASSETS	<u>\$ 16,242,232</u>	<u>\$ 14,663,480</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable	\$ 460,711	\$ 145,421
Accrued Liabilities	<u>109,858</u>	<u>114,056</u>
Total Liabilities	<u>570,569</u>	<u>259,477</u>
Net Assets:		
Unrestricted:		
Undesignated	676,403	1,178,947
Designated:		
For Future Food Distribution	759,031	1,444,253
For Property and Equipment	4,538,809	4,775,148
For Operating Reserve	2,052,898	1,841,150
For Capital Campaign	3,080,192	1,561,002
For CAFB Foundation	<u>1,890,729</u>	<u>1,624,109</u>
Total Unrestricted	12,998,062	12,424,609
Temporarily Restricted		
For Programs	225,943	221,120
For Campaign	<u>2,296,564</u>	<u>1,607,180</u>
Total Temporarily Restricted	<u>2,522,507</u>	<u>1,828,300</u>
Permanently Restricted	<u>151,094</u>	<u>151,094</u>
Total Net Assets	<u>15,671,663</u>	<u>14,404,003</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,242,232</u>	<u>\$ 14,663,480</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Donated Food Received for Distribution, (Net of Food Scrapped of \$1,645,392)	\$ 35,717,852	\$ -	\$ -	\$ 35,717,852
Grants and Contracts	932,157	-	-	932,157
Contributions	7,150,660	1,315,293	-	8,465,953
Revenue:				
Program Service Fees	1,860,907	-	-	1,860,907
Investment Income/(Loss)	501,080	-	-	501,080
Other	28,794	-	-	28,794
	<u>46,191,450</u>	<u>1,315,293</u>	<u>-</u>	<u>47,506,743</u>
Net Assets Released from Restrictions -				
Program Expenditures	<u>621,086</u>	<u>(621,086)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	46,812,536	694,207	-	47,506,743
EXPENSES				
Program Services:				
Donated Food Program	44,083,546	-	-	44,083,546
Supporting Services:				
Management and General	978,597	-	-	978,597
Fund Raising	1,176,940	-	-	1,176,940
Total Expenses	<u>46,239,083</u>	<u>-</u>	<u>-</u>	<u>46,239,083</u>
Change in Net Assets	573,453	694,207	-	1,267,660
Net Assets at Beginning of Year	<u>12,424,609</u>	<u>1,828,300</u>	<u>151,094</u>	<u>14,404,003</u>
Net Assets at End of Year	<u>\$ 12,998,062</u>	<u>\$ 2,522,507</u>	<u>\$ 151,094</u>	<u>\$ 15,671,663</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Donated Food Received for Distribution, (Net of Food Scrapped of \$2,530,142)	\$38,333,528	\$ -	\$ -	\$38,333,528
Grants and Contracts	1,317,858	-	-	1,317,858
Contributions	5,026,932	2,589,601	-	7,616,533
Revenue:				
Program Service Fees	1,350,465	-	-	1,350,465
Investment Income/(Loss)	40,532	-	-	40,532
Other	23,714	-	-	23,714
	<u>46,093,029</u>	<u>2,589,601</u>	<u>-</u>	<u>48,682,630</u>
Net Assets Released from Restrictions -				
Program Expenditures	882,654	(882,654)	-	-
Total Public Support and Revenue	46,975,683	1,706,947	-	48,682,630
EXPENSES				
Program Services:				
Donated Food Program	46,191,927	-	-	46,191,927
Supporting Services:				
Management and General	882,697	-	-	882,697
Fund Raising	1,257,213	-	-	1,257,213
Total Expenses	<u>48,331,837</u>	<u>-</u>	<u>-</u>	<u>48,331,837</u>
Change in Net Assets	(1,356,154)	1,706,947	-	350,793
Net Assets at Beginning of Year	<u>13,780,763</u>	<u>121,353</u>	<u>151,094</u>	<u>14,053,210</u>
Net Assets at End of Year	<u>\$12,424,609</u>	<u>\$ 1,828,300</u>	<u>\$ 151,094</u>	<u>\$14,404,003</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Donated Food Program	Supporting Services		Total
		Management & General	Fund Raising	
Donated Food Distributed to Others	\$ 36,403,074	\$ -	\$ -	\$ 36,403,074
Salaries and Related Expenses	3,142,008	721,823	537,319	4,401,150
Professional Fees	-	28,299	11,574	39,873
Fees for Service	-	72,140	499,805	571,945
Grants to Agencies	377,122	-	-	377,122
Supplies	95,526	6,579	4,386	106,491
Telephone	42,814	1,883	2,352	47,049
Postage	11,332	618	8,654	20,604
Occupancy	428,133	22,773	4,555	455,461
Insurance	91,506	4,868	973	97,347
Equipment Rent and Maintenance	448,304	20,806	-	469,110
Printing and Publication	19,016	4,312	79,520	102,848
Mileage and Freight	674,527	1,404	13,795	689,726
Conferences and Meetings	36,474	12,046	11,712	60,232
Memberships	2,295	3,061	2,295	7,651
Food Acquisitions	1,946,202	-	-	1,946,202
Miscellaneous	-	3,183	-	3,183
	<u>43,718,333</u>	<u>903,795</u>	<u>1,176,940</u>	<u>45,799,068</u>
Interest Expense	-	-	-	-
Depreciation	<u>365,213</u>	<u>74,802</u>	<u>-</u>	<u>440,015</u>
	<u>365,213</u>	<u>74,802</u>	<u>-</u>	<u>440,015</u>
TOTAL EXPENSES	<u><u>\$ 44,083,546</u></u>	<u><u>\$ 978,597</u></u>	<u><u>\$ 1,176,940</u></u>	<u><u>\$ 46,239,083</u></u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Donated Food Program	Supporting Services		Total
		Management & General	Fund Raising	
Donated Food Distributed to Others	\$ 38,999,657	\$ -	\$ -	\$ 38,999,657
Salaries and Related Expenses	3,032,488	579,392	493,171	4,105,051
Professional Fees	-	85,453	51,239	136,692
Fees for Service	947	57,561	461,663	520,171
Grants to Agencies	479,674	-	-	479,674
Supplies	101,686	6,782	4,521	112,989
Telephone	42,735	1,878	2,348	46,961
Postage	9,224	2,719	78,690	90,633
Occupancy	390,999	20,798	4,160	415,957
Insurance	90,111	4,793	959	95,863
Equipment Rent and Maintenance	394,718	22,109	-	416,827
Printing and Publication	19,946	5,780	132,627	158,353
Mileage and Freight	609,854	4,877	12,546	627,277
Conferences and Meetings	44,077	14,476	13,825	72,378
Memberships	1,464	1,953	1,464	4,881
Food Acquisitions	1,634,747	-	-	1,634,747
Miscellaneous	-	3,882	-	3,882
	<u>45,852,327</u>	<u>812,453</u>	<u>1,257,213</u>	<u>47,921,993</u>
Interest Expense	-	687	-	687
Depreciation	339,600	69,557	-	409,157
	<u>339,600</u>	<u>70,244</u>	<u>-</u>	<u>409,844</u>
TOTAL EXPENSES	<u><u>\$ 46,191,927</u></u>	<u><u>\$ 882,697</u></u>	<u><u>\$ 1,257,213</u></u>	<u><u>\$ 48,331,837</u></u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	2012	2011
Increase (Decrease) in Net Assets	\$ 1,267,660	\$ 350,793
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Depreciation	440,015	409,157
Realized (Gain) Loss on Sale of Investments	(68,541)	(167,655)
Unrealized (Gain) Loss on Investments	(334,242)	228,538
(Increase) Decrease in Operating Assets:		
Accounts Receivable	209,761	2,581,327
Food Inventory	550,954	666,129
Prepaid Expenses	(129,654)	(73,385)
Pledges Receivable	(17,050)	(1,100,000)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	315,290	7,073
Accrued Liabilities	(4,198)	(29,678)
Net Cash Provided by (Used by) Operating Activities	2,229,995	2,872,299
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Investments	(1,292,883)	(1,306,909)
Proceeds from Sale of Investments	1,559,480	1,157,063
Purchase of Property and Equipment	(1,804,206)	(380,677)
Contribution of Land	(1,516,978)	-
Net Cash Provided by (Used by) Investing Activities	(3,054,587)	(530,523)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal Payments on Note Payable	-	(230,920)
Net Cash Provided by (Used by) Financing Activities	-	(230,920)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(824,592)	2,110,856
Cash and Cash Equivalents at Beginning of Year	3,534,805	1,423,949
Cash and Cash Equivalents at End of Year	\$ 2,710,213	\$ 3,534,805
 <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash Paid During the Year for:		
Interest	\$ -	\$ 687
Federal Income Taxes	\$ -	\$ -

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. Capital Area Food Bank of Texas, Inc. (the Food Bank) is a Texas nonprofit corporation. The Food Bank acts as a central clearinghouse to which the food industry and the public may donate edible surplus food and personal care products for distribution to human service agencies which assist victims of poverty or crisis, the ill, infants, and the elderly.

The Capital Area Food Bank Foundation (the Foundation), also a Texas nonprofit corporation, was created in January 2000 to provide a stable source of revenue to support the Food Bank's general program operations.

The Food Bank raises funds through government grants and donations from organizations, businesses and individuals. A portion of the program costs is shared by the recipient agencies in correlation with the amount of food each agency receives. Funding is provided primarily by donated food received, public support, program fees, and grants and contracts.

Consolidated Financial Statements. The accompanying consolidated financial statements include the financial statements of the Food Bank and the Foundation (collectively, the Organizations). The majority of the Foundation's Board of Directors are directors of the Food Bank's board. All significant inter-company transactions have been eliminated in the consolidated financial statements.

Basis of Presentation. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets — Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets — Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets — Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on any related investments for general or specific purposes. Permanently restricted net assets are invested in perpetuity. The income may be used to support the Food Bank's general program operations, subject to the restrictions contained in the Foundation's organizational documents.

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash Equivalents. The Organizations consider all deposits held at financial institutions or brokerage houses that are subject to withdrawal by check and investments with an original maturity of three months or less to be cash equivalents.

Investments. Investments are recorded at fair value as of year-end. Unrealized gains and losses as well as all interest and dividends earned are included in the change in unrestricted net assets in the accompanying Consolidated Statement of Activities and Changes in Net Assets.

Accounts Receivable. The Food Bank considers all recorded accounts and grants to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Pledges Receivable. During 2012 and 2011, the Food Bank received multi-year pledges restricted for the Campaign. The pledges were not discounted to present value as the total amount of the discount was immaterial. The Food Bank considers all pledges to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Food Inventory. The Food Bank acts as an agent for the donors of food, immediately distributing it to various agencies. Donated food inventory on-hand at September 30, 2012 and 2011 is recorded in the financial statements at an average value of \$1.66 and \$1.66, respectively, per pound as calculated by Feeding America.

Property and Equipment. Donations of property and equipment are recorded as support revenue at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time. Purchased property and equipment is recorded at cost. The value of capital assets donated in 2012 and 2011 was \$1,516,978 and \$0, respectively.

Depreciation on property and equipment is provided using the straight-line method over estimated useful lives of the respective assets, ranging from 3 to 50 years. Upon sale or other disposition of assets, the costs and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected as an increase or decrease in unrestricted net assets.

Board Designated Unrestricted Net Assets. The Board of Directors has set aside amounts to be used for designated future purposes of the organizations as reflected in these financial statements. A portion of the unrestricted net assets is set aside as an operating reserve fund in compliance with Feeding America recommendations.

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition. In accordance with the FASB ASC 958-605, *Revenue Recognition*, contributions (grants) received from federal, state, and local governments that are conditioned upon the Food Bank incurring certain qualifying costs, are considered to be conditional promises to give and therefore are recognized as revenue as those costs are incurred.

Donations. Donated material and services, although significant in amount, are not recorded unless there is an objectively measurable basis for determining their fair value.

A substantial number of people donate significant amounts of services to the Food Bank. The financial statements do not reflect the value of these services as no objective basis exists for the reasonable measuring of the value of such services in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605-25. It is estimated that volunteers contributed approximately 93,000 and 91,500 hours to the food distribution program in 2012 and 2011, respectively.

Recognition of Donor Restrictions. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unrestricted contributions are recorded as an increase in unrestricted net assets in the period in which the notice of unconditional promise to give is received.

Contributions or grants, which contain a donor-imposed restriction or a stipulation that the contribution cannot be used until a future period, are recorded as restricted contributions. Contributions, which are restricted with respect to the expenditure of the funds, are recorded as increases in temporarily restricted net assets available in the period in which the notice of grant award is received. Temporarily restricted net assets are reclassified to unrestricted net assets in the period in which the use restriction has been met or the time restriction lapses.

Federal Income Taxes. The Organizations are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is classified as an organization other than a private foundation.

The Organizations have adopted FASB ASC 740-10, *Accounting for Uncertainty in Income Tax*. That standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates and Assumptions. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification Of Certain Prior Period Balances. Certain prior period balances have been reclassified to conform to the current year presentation. Neither net assets nor the change in net assets were affected by the reclassification.

Subsequent Events. Management of the Organizations have evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at September 30,:

	2012	2011
Cash held at financial institutions	\$ 2,138,764	\$ 3,314,705
Money market accounts, at fair market value	571,449	220,100
	<u>\$ 2,710,213</u>	<u>\$ 3,534,805</u>

NOTE 3 - INVESTMENTS

The Organizations follow FASB ASC 958-320-50. This statement requires entities to report investments in the statement of financial position at fair value and report realized and unrealized gains and losses in the statement of activities and changes in net assets. Investment income for the years ended September 30, 2012 and 2011, included in the Consolidated Statements of Activities and Changes in Net Assets, is summarized as follows:

	2012	2011
Unrealized Gain (Loss) on Investments	\$ 334,242	\$ (228,538)
Interest and Dividends	98,297	101,415
Gain (Loss) on Sale of Investments	68,541	167,655
Investment Income	<u>\$ 501,080</u>	<u>\$ 40,532</u>

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 3 - INVESTMENTS - CONTINUED

Short-term investments are recorded at fair value and are recorded in the financial statements as cash and cash equivalents. Long-term investments are recorded at fair value. Market values and unrealized appreciation (depreciation) at September 30, are summarized as follows:

September 30, 2012:	Cost	Market Value	Unrealized Gain/(Loss)
<u>FOOD BANK</u>			
Short-Term Investments:			
Money Market Accounts (cash equivalents)	\$ 279,214	\$ 279,214	\$ -
Long-Term Investments			
Corporate Bonds	199,266	213,758	14,492
Government Obligations	530,406	595,994	65,588
Equities and Other	832,230	973,815	141,585
	<u>1,561,902</u>	<u>1,783,567</u>	<u>221,665</u>
Total Food Bank	<u>\$ 1,841,116</u>	<u>\$ 2,062,781</u>	<u>\$ 221,665</u>
 <u>FOUNDATION</u>			
Short-Term Investments:			
Money Market Accounts (cash equivalents)	\$ 292,235	\$ 292,235	\$ -
Long-Term Investments:			
Corporate Bonds	260,727	285,452	24,725
Government Obligations	110,874	141,156	30,282
Equities and Other	1,121,164	1,322,981	201,817
	<u>1,492,765</u>	<u>1,749,589</u>	<u>256,824</u>
Total Foundation	<u>\$ 1,785,000</u>	<u>\$ 2,041,824</u>	<u>\$ 256,824</u>
Total Food Bank and Foundation	<u>\$ 3,626,116</u>	<u>\$ 4,104,605</u>	<u>\$ 478,489</u>
 September 30, 2011:			
<u>FOOD BANK</u>			
Short-Term Investments:			
Money Market Accounts (cash equivalents)	\$ 115,666	\$ 115,666	\$ -
Long-Term Investments			
Corporate Bonds	224,567	241,575	17,008
Government Obligations	572,346	613,235	40,889
Equities and Other	850,134	874,306	24,172
	<u>1,647,047</u>	<u>1,729,116</u>	<u>82,069</u>
Total Food Bank	<u>\$ 1,762,713</u>	<u>\$ 1,844,782</u>	<u>\$ 82,069</u>

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 3 - INVESTMENTS - CONTINUED

<u>FOUNDATION</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Short-Term Investments:			
Money Market Accounts (cash equivalents)	\$ 104,434	\$ 104,434	\$ -
Long-Term Investments:			
Corporate Bonds	260,727	284,426	23,699
Government Obligations	203,806	206,204	2,398
Equities and Other	1,149,561	1,177,224	27,663
	<u>1,614,094</u>	<u>1,667,854</u>	<u>53,760</u>
Total Foundation	<u>\$ 1,718,528</u>	<u>\$ 1,772,288</u>	<u>\$ 53,760</u>
Total Food Bank and Foundation	<u>\$ 3,481,241</u>	<u>\$ 3,617,070</u>	<u>\$ 135,829</u>

NOTE 4 - PLEDGES RECEIVABLE

Unconditional pledges receivable for the capital campaign as of September 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Receivables due in less than one year	\$ 504,183	\$ 350,000
Receivables due in less than two years	352,683	350,000
Receivables due in less than three years	249,684	200,000
Receivables due in less than four years	9,000	200,000
Receivables due in less than five years	1,500	-
	<u>\$ 1,117,050</u>	<u>\$ 1,100,000</u>

NOTE 5 - PROPERTY AND EQUIPMENT

The major classes of property and equipment held as of September 30, were:

	<u>Life</u>	<u>2012</u>	<u>2011</u>
Land	-	\$ 3,387,747	\$ 330,972
Building	5-50 years	4,549,757	4,493,770
Office equipment	3-10 years	606,411	571,484
Warehouse equipment	3-10 years	871,806	844,545
Vehicles	5-8 years	1,827,268	1,831,328
		<u>11,242,989</u>	<u>8,072,099</u>
Accumulated Depreciation		<u>(3,726,538)</u>	<u>(3,436,817)</u>
		<u>\$ 7,516,451</u>	<u>\$ 4,635,282</u>

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 5 - PROPERTY AND EQUIPMENT - CONTINUED

Depreciation expense of \$440,015 and \$409,157 was recorded during the years ended September 30, 2012 and 2011, respectively. The Food Bank capitalizes all depreciable assets with a cost equal to or greater than \$500 with a useful life of more than one year. Assets retired from service during the year are charged against their accumulated depreciation account and removed from the fixed asset records. If the asset is not fully depreciated the residual asset balance is charged to depreciation expense for the current year.

The Food Bank completed the purchase of land on February 23, 2012. The total market value of the land as determined by an independent appraisal was \$2,780,000 of which \$1,516,978 was donated. The remaining \$1,263,022 was paid at closing. The land is intended to be used for the construction of a new Food Bank facility, housing its administrative offices, dry, cold and freezer storage, production and teaching kitchen and community garden. The Board of Directors has approved a capital campaign to raise funds for this purpose and management is aggressively focused on raising the funds required for the new facility.

NOTE 6 - NOTES PAYABLE

The Food Bank entered into a loan agreement on April 29, 2005 to borrow up to \$800,000 to finance the construction of building improvements. The note accrued interest at a rate of prime less 1.25% per annum, with interest payments due monthly. Principal payments started on February 28, 2006, and were due in monthly installments until the maturity date January 29, 2012. During 2011, the Food Bank made principal payments of \$150,000, plus interest due. The note was collateralized by a mortgage on the land and all improvements. The note balance was fully repaid during the 2011 fiscal year.

The Food Bank entered into a loan agreement on December 31, 2009, to borrow \$80,920 to finance the purchase of a vehicle. The note accrued interest at 0%, 2%, 3%, and 4% in years one, two, three, and four, respectively. Principal and interest payments were due annually on December 31, until maturity on December 31, 2013. During 2011, the Food Bank made principal payments of \$80,920. The note balance was fully repaid during the 2011 fiscal year.

NOTE 7 - CITY AND COUNTY GRANTS

Expenditures of the City of Austin and Travis County grant funds for the years ended September 30, 2012 and 2011, consist of salaries of \$115,387 and \$160,008, respectively.

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 8 - RESTRICTIONS ON NET ASSETS

The following are temporarily restricted net assets which the Food Bank held at September 30:

	<u>2012</u>	<u>2011</u>
Programs:		
Backpack Program	\$ 47	\$ 47
Target Meals for Minds Program	34,211	74,918
Disaster Relief	191,685	146,155
Campaign	2,296,564	1,607,180
	<u>\$ 2,522,507</u>	<u>\$ 1,828,300</u>

NOTE 9 - RELEASE OF DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of events specified by the donors, or by the change of restrictions specified by the donors. Amounts released during the years ending on September 30 were:

	<u>2012</u>	<u>2011</u>
Kids' Café Program	\$ 194,866	\$ 392,595
Disaster Relief	110,429	87,964
Healthy Options Program for the Elderly (HOPE)	100,540	111,376
Mobile Food Pantries	79,201	103,540
Target's Meals for Minds Program	40,707	18,082
Campaign	37,133	102,820
Various Programs	26,852	-
Fresh Food for Families Program	14,540	21,673
Food Rescue Program	9,000	2,500
Food Purchase	6,100	6,903
St. John's Pantry	1,718	515
Summer Feeding Program	-	24,733
Backpack Program	-	9,953
	<u>\$ 621,086</u>	<u>\$ 882,654</u>

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 10 - CONTRIBUTIONS

Contributions for the years ended September 30 are composed of receipts from:

	<u>2012</u>	<u>2011</u>
Individuals	\$ 3,608,462	\$ 3,304,778
Special events and other	1,227,854	984,670
Foundations	652,068	602,466
Businesses	636,900	928,955
Religious and service organizations	97,174	85,664
Campaign	2,243,495	1,710,000
	<u>\$ 8,465,953</u>	<u>\$ 7,616,533</u>

NOTE 11 - TEXAS COMMODITIES ASSISTANCE PROGRAM - (TEXCAP)

The Food Bank contracted with the Texas Health and Human Services Commission (HHSC) for the distribution of USDA commodities to Food Bank partner agencies under the Texas Commodities Assistance Program (TEXCAP). During the years ended September 30, 2012 and 2011, the Food Bank recognized \$422,993 and \$556,880 of revenue, respectively, from HHSC for reimbursement of allowable actual direct costs of storage and distribution of commodities. The related costs charged to the program totaled \$422,993 and \$556,880 in 2012 and 2011, respectively. During the year ended September 30, 2011, the Food Bank received an additional TEXCAP grant under the American Recovery and Reinvestment Act. Revenue and related costs charged to the program totaled \$169,171 in 2011.

NOTE 12 - RETIREMENT PLAN

The Food Bank offers a defined contribution retirement plan (the Plan) which qualifies under the Internal Revenue Code Section 403(b)(7). Eligible employees may contribute to the Plan a portion of their annual salary through payroll deductions. The Food Bank contributes 2% of each eligible employee's salary to the Plan and also matches up to 5% of each employee's salary reduction contribution. All full-time employees with three months of service are eligible to participate in the Plan. All Food Bank contributions are fully vested. For the years ended September 30, 2012 and 2011, the Food Bank contributed \$159,634 and \$141,332 to the Plan, respectively.

NOTE 13 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Accordingly, certain common costs have been allocated among the program and supporting services benefited, as summarized in the Consolidated Statement of Functional Expenses.

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 14 - CONCENTRATION OF CREDIT RISK

The Organizations maintain cash deposits at financial institutions, which at times exceed federally guaranteed limits. Management closely monitors the financial institutions as well as the account balances. The Organizations have not experienced any losses on deposits at these institutions. Combined cash deposits of \$0 and \$2,260,004 (a certificate of deposit) at financial institutions exceeded federally guaranteed limits at September 30, 2012 and 2011, respectively.

In addition, the Organizations invest in various money market funds and a certificate of deposit that are classified as cash equivalents in the financial statements. No losses were experienced during the period on these short-term investments, which are held by high credit quality institutions. Investments of \$582,903 and \$220,100 in money market accounts were not insured by the FDIC at September 30, 2012 and 2011, respectively.

NOTE 15 - FAIR VALUE MEASUREMENTS

The Organizations have implemented FASB ASC 820-10-50, *Fair Value Measurements*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10-50 are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organizations have the ability to access.
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Level 2	Inputs to the valuation methodology include:
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Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 15 - FAIR VALUE MEASUREMENTS - CONTINUED

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2012.

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organizations believe the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organizations' assets at fair value as of September 30, 2012:

FOOD BANK

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 595,994	\$ -	\$ -	\$ 595,994
Corporate bonds	213,758	-	-	213,758
Government securities	973,815	-	-	973,815
	<u>\$1,783,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,783,567</u>

FOUNDATION

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 1,322,981	\$ -	\$ -	\$ 1,322,981
Corporate bonds	285,452	-	-	285,452
Government securities	141,156	-	-	141,156
	<u>\$1,749,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,749,589</u>

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

NOTE 15 - FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth by level, within the fair value hierarchy, the Organizations' assets at fair value as of September 30, 2011:

<u>FOOD BANK</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 874,306	\$ -	\$ -	\$ 874,306
Corporate bonds	241,575	-	-	241,575
Government securities	613,235	-	-	613,235
	<u>\$ 1,729,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,729,116</u>
<u>FOUNDATION</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 1,177,224	\$ -	\$ -	\$ 1,177,224
Corporate bonds	284,426	-	-	284,426
Government securities	206,204	-	-	206,204
	<u>\$ 1,667,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,667,854</u>

NOTE 16 - RELATED PARTY TRANSACTIONS

The Capital Area Food Bank is an affiliate of Feeding America. As such, the Food Bank is offered donations from national food companies. The Food Bank received 4,960,174 and 4,672,060 pounds of food as a result of this affiliation during the periods ended September 30, 2012 and 2011, respectively. The Food Bank paid affiliate fees (dues) of \$16,486 and \$16,266 to Feeding America in 2012 and 2011, respectively.

ADDITIONAL INFORMATION

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
SEPTEMBER 30, 2012

ASSETS	Food Bank					Consolidated
	Operating	Property and Equipment	Operating Reserve	Campaign	Total	
Cash and Cash Equivalents	\$ 936,612	\$ 111,687	\$ 279,214	\$ 1,090,465	\$ 2,417,978	\$ 2,710,213
Investments	9,882	-	1,773,685	-	1,783,567	3,533,156
Accounts Receivable	208,690	-	-	-	208,690	208,690
Donated Food Inventory Held for Distribution	759,031	-	-	-	759,031	759,031
Purchased Food Inventory	134,268	-	-	-	134,268	134,268
Prepaid Expenses	44,754	-	-	218,619	263,373	263,373
Pledges Receivable	-	-	-	1,117,050	1,117,050	1,117,050
Property and Equipment (Net of Accumulated Depreciation of \$ 3,726,538)	-	4,459,677	-	3,056,774	7,516,451	7,516,451
TOTAL ASSETS	\$ 2,093,237	\$ 4,571,364	\$ 2,052,899	\$ 5,482,908	\$ 14,200,408	\$ 16,242,232
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts Payable	\$ 322,002	\$ 32,555	\$ -	\$ 106,154	\$ 460,711	\$ 460,711
Accrued Liabilities	109,858	-	-	-	109,858	109,858
Total Liabilities	431,860	32,555	-	106,154	570,569	570,569
Net Assets:						
Unrestricted:						
Undesignated	676,403	-	-	-	676,403	676,403
Designated for Future Food Distribution	759,031	-	-	-	759,031	759,031
Designated for Property and Equipment	-	4,538,809	-	-	4,538,809	4,538,809
Designated for Operating Reserve	-	-	2,052,898	-	2,052,898	2,052,898
Designated for Campaign	-	-	-	3,080,192	3,080,192	3,080,192
Designated for CAFB Foundation	-	-	-	-	-	1,890,729
Total Unrestricted	1,435,434	4,538,809	2,052,898	3,080,192	11,107,333	12,998,062
Temporarily Restricted	225,943	-	-	2,296,564	2,522,507	2,522,507
Permanently Restricted	-	-	-	-	-	151,094
Total Net Assets	1,661,377	4,538,809	2,052,898	5,376,756	13,629,840	15,671,663
TOTAL LIABILITIES AND NET ASSETS	\$ 2,093,237	\$ 4,571,364	\$ 2,052,898	\$ 5,482,910	\$ 14,200,409	\$ 16,242,232

See Independent Auditors' Report

CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued on page 23)

	Capital Area Food Bank						
	Operating Fund			Campaign Fund			
	Unrestricted	Temporarily Restricted	Property and Equipment	Operating Reserve	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE							
Public Support:							
Donated Food Received for Distribution, (Net of Food Scrapped of \$1,645,392)	\$ 35,717,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,717,852
Grants and Contracts	932,157	-	-	-	-	-	932,157
Contributions	5,604,415	588,776	26,676	-	1,516,978	726,517	8,463,362
Revenue:							
Program Service Fees	1,860,907	-	-	-	-	-	1,860,907
Investment Income	1,639	-	-	221,629	2,212	-	225,480
Other	19,794	-	9,000	-	-	-	28,794
Released from Restrictions	44,136,764	588,776	35,676	221,629	1,519,190	726,517	47,228,552
	621,086	(583,953)	-	-	-	(37,133)	-
Total Public Support and Revenue	44,757,850	4,823	35,676	221,629	1,519,190	689,384	47,228,552
EXPENSES							
Program Services:							
Donated Food Program	43,718,333	-	365,213	-	-	-	44,083,546
Supporting Services:							
Management and General	882,343	-	74,802	9,881	-	-	967,026
Fund Raising	1,176,940	-	-	-	-	-	1,176,940
Total Expenses	45,777,616	-	440,015	9,881	-	-	46,227,512
Change in Net Assets	(1,019,766)	4,823	(404,339)	211,748	1,519,190	689,384	1,001,040
Transfers Among Funds	(168,000)	-	168,000	-	-	-	-
Net Assets at Beginning of Year	2,623,200	221,120	4,775,148	1,841,150	1,561,002	1,607,180	12,628,800
Net Assets at End of Year	\$ 1,435,434	\$ 225,943	\$ 4,538,809	\$ 2,052,898	\$ 3,080,192	\$ 2,296,564	\$ 13,629,840

See Independent Auditors' Report

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
CAPITAL AREA FOOD BANK FOUNDATION
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**
(Continued from page 22)

	Foundation Funds			Eliminations	Consolidated Total
	Unrestricted	Permanently Restricted	Total		
PUBLIC SUPPORT AND REVENUE					
Public Support:					
Donated Food Received for Distribution, (Net of Food Scrapped of \$3,043,680)	\$ -	\$ -	\$ -	\$ -	\$ 35,717,852
Grants and Contracts	-	-	-	-	932,157
Contributions	2,591	-	2,591	-	8,465,953
Revenue:					
Program Service Fees	-	-	-	-	1,860,907
Investment Income	275,600	-	275,600	-	501,080
Other	-	-	-	-	28,794
Released from Restrictions	278,191	-	278,191	-	47,506,743
	-	-	-	-	-
Total Public Support and Revenue	278,191	-	278,191	-	47,506,743
EXPENSES					
Program Services:					
Donated Food Program	-	-	-	-	44,083,546
Supporting Services:					
Management and General Fund Raising	11,571	-	11,571	-	978,597
	-	-	-	-	1,176,940
Total Expenses	11,571	-	11,571	-	46,239,083
Change in Net Assets	266,620	-	266,620	-	1,267,660
Transfers Among Funds	-	-	-	-	-
Net Assets at Beginning of Year	1,624,109	151,094	1,775,203	-	14,404,003
Net Assets at End of Year	<u>\$ 1,890,729</u>	<u>\$ 151,094</u>	<u>\$ 2,041,823</u>	<u>\$ -</u>	<u>\$ 15,671,663</u>

See Independent Auditors' Report

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor Number	Disbursements
U.S. Department of Agriculture			
Passed Through the Texas Department of Agriculture (TDA)			
Summer Food Service Program	10.559	75V8015	\$ 110,989
<u>The Emergency Food Assistance - Cluster</u>			
Texas Commodity Assistance Emergency Food Assistance Program (Food Commodities) (Note A)			
	10.569	227702K	2,524,565
Texas Commodity Assistance Emergency Food Assistance Program (Administrative Costs)			
	10.568	227702K	<u>422,993</u>
Total passed through TDA			3,058,547
Passed Through the Texas Health and Human Services Commission			
Food Stamp Nutrition Education	10.561	529-06-0002-00009	104,927
Passed Through the Texas Food Bank Network			
Food Stamp Outreach	10.561	529-06-0423-0001	<u>101,500</u>
Total U. S. Department of Agriculture			<u>3,264,974</u>
<u>Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program			
	97.024	7824-00-006	<u>37,846</u>
Total Department of Homeland Security			<u>37,846</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 3,302,820</u></u>

Note A - This program represents food with a value of \$2,524,565 which was distributed under the TEXCAP program.

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Capital Area Food Bank of Texas, Inc.

We have audited the financial statements of Capital Area Food Bank of Texas, Inc. as of and for the year ended September 30, 2012, and have issued our report thereon dated January 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Capital Area Food Bank of Texas, Inc. is responsible for establishing and monitoring effective internal control over financial reporting. In planning and performing our audit, we considered Capital Area Food Bank of Texas, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Capital Area Food Bank of Texas, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capital Area Food Bank of Texas, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Austin, Texas
January 11, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Capital Area Food Bank of Texas, Inc.

Compliance

We have audited the compliance of Capital Area Food Bank of Texas, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. Capital Area Food Bank of Texas, Inc.'s major federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Capital Area Food Bank of Texas, Inc.'s management. Our responsibility is to express an opinion on Capital Area Food Bank of Texas, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capital Area Food Bank of Texas, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Capital Area Food Bank of Texas, Inc.'s compliance with those requirements.

In our opinion, Capital Area Food Bank of Texas, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

The management of Capital Area Food Bank of Texas, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Capital Area Food Bank of Texas, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Capital Area Food Bank of Texas, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Austin, Texas
January 11, 2013

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified not considered to be material weakness(es)? None Reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified not considered to be material weakness(es)? None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Federal Program Title - Cluster</u>
10.569	Texas Commodity Assistance Emergency Food Assistance Program (Food Commodities)
10.568	Texas Commodity Assistance Emergency Food Assistance Program (Administrative Costs)
10.559	Summer Food Service Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

II. Financial Statement Findings

None

III. Findings Related to Federal Awards

None

**CAPITAL AREA FOOD BANK OF TEXAS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

No prior year findings